

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

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APPLICATION OF

ATMOS ENERGY CORPORATION

CASE NO. PUE-2008-00007

For an expedited increase in rates

ORDER FOR NOTICE AND HEARING

On January 25, 2008, Atmos Energy Corporation ("Atmos" or the "Company") filed a Motion with the State Corporation Commission ("Commission") requesting a one-month extension of time in which to file its Annual Informational Filing ("AIF") or an expedited rate application for the twelve months ended September 30, 2007.

On February 5, 2008, the Commission Staff filed its Response to Atmos' Motion and advised that it did not oppose the extension of time requested by Atmos.

On February 14, 2008, the Commission entered an "Order Granting Extension," which directed Atmos to file its AIF for the twelve months ended September 30, 2007, or expedited rate application with the Commission by no later than March 3, 2008. The February 14, 2008 Order continued the proceeding to receive Atmos' AIF for the twelve months ended September 30, 2007, or expedited rate application, when these documents were filed with the Commission.

On February 20, 2008, the Company delivered an application for expedited rate relief to the Commission. That application was determined to be incomplete. The Company filed additional information on March 4 and March 6, 2008, and its application was deemed complete on March 6, 2008.

In its application, the Company requested an expedited rate increase that would produce additional operating revenues of \$868,504, representing an overall revenue increase of

approximately 2% and an increase in base revenues of 11%. According to the Company, this increase in rates would allow Atmos the opportunity to earn a 10% return on its common equity. Atmos' expedited rate application advised that it was also requesting the elimination of its Weather Normalization Adjustment ("WNA") deadbands in this proceeding. In direct testimony filed on March 4, 2008, the Company maintains that elimination of the upper and lower bands for its WNA mechanism would allow Atmos' WNA to adjust to normal 30-year weather more effectively and would result in a more functional WNA adjustment that will equally benefit the Company and its customers.

In a revision to its WNA, set forth as Proposed 16th Revised Sheet No. 28.5 filed on March 4, 2008, Atmos proposes to make its revised WNA effective on August 1, 2009, for the twelve-month period of May 1, 2008, through April 30, 2009, and for each twelve-month period thereafter. Atmos proposes to eliminate for the East weather zone the upper and lower band defined as 4.36% above and/or below the most recent 30-year average weather calculation. For the West zone, Atmos proposes to eliminate the upper and lower band defined as 5.63% above and/or below the most recent 30-year average weather calculation.

Section B of the Commission's Rules Governing Utility Rate Increase Applications and Annual Informational Filings ("Rate Case Rules"), 20 VAC 5-200-30, permits the rates of a public utility to take effect within 30 days after the application is filed, subject to refund, pending investigation, so long as the rate application complies with the Rate Case Rules, and the utility has not experienced a substantial change in circumstances since its last rate case. In prefiled direct testimony filed with its application, the Company advises that it has calculated its revenue deficiency based on the mid-point of the return on equity authorized in Case No. PUE-2003-00507, the Company's last rate application and that, in general, the calculation of the

revenue requirements and accounting adjustments were consistent with the Commission Staff Report filed on July 27, 2007, in Atmos' AIF for 2006, docketed as Case No. PUE-2007-00006. The Company maintains that its revenue requirement and adjustments were developed consistent with the instructions accompanying Schedule 17 in the appendix to 20 VAC 5-200-30, paragraph 11B, regarding expedited rate applications.

On March 20, 2008, the Commission Staff filed an Interim Report wherein it concluded that, based on the application and supporting schedules, as well as the information available to Staff at the time it filed its Interim Report, there is a reasonable probability that Atmos' requested increase of \$868,504 would be justified following a full investigation and hearing. With regard to Atmos' request to remove the deadbands from its WNA, Staff noted that computationally and structurally, Atmos' proposed WNA was similar to its existing WNA and that, given the small increase in overall revenue requirement of 2%, and revising an existing WNA by removal of an approved deadband for the WNA, Staff would not object to the case proceeding as an expedited rate case under the particular circumstances of this case.

Staff further advised in its Interim Report that it intended to file testimony regarding the potential risk reduction to revenues and earnings resulting from the elimination of the WNA deadbands and may recommend a reduction in the Company's allowed return on equity if Atmos' changes to its WNA are accepted. Staff advised that it would be examining Atmos' return on equity, as it has been several years since Staff examined this issue.

NOW UPON CONSIDERATION of the Company's application, supporting documents, and prefiled testimony, the Commission is of the opinion and finds that a Hearing Examiner should be assigned to conduct all further proceedings in this matter on behalf of the Commission; that the Company should be permitted to implement its revised tariffs, with the exception of the

Company's WNA, designed to produce an increase in additional annual operating revenues of \$868,504, on an interim basis, subject to refund with interest, for service rendered on and after April 5, 2008; that, in accordance with the Company's revised tariff for its WNA, Proposed 16th Revised Sheet No. 28.5, Atmos' revised WNA may become effective on an interim basis, subject to refund with interest, on August 1, 2009, for the twelve-month period of May 1, 2008, through April 30, 2009; and that a procedural schedule should be established for this matter as prescribed below.

Accordingly, IT IS ORDERED THAT:

(1) Atmos shall place its revised tariffs, designed to increase its gross annual operating revenues by approximately \$868,504, in effect on an interim basis, subject to refund with interest, for service rendered on and after April 5, 2008.

(2) In accordance with its proposal set forth in Proposed 16th Revised Sheet No. 28.5, Atmos' proposed revision to its WNA shall take effect on an interim basis, subject to refund with interest, effective August 1, 2009, for the twelve-month period of May 1, 2008, through April 30, 2009.

(3) On or before May 27, 2008, Atmos may file an original and fifteen (15) copies of the additional direct testimony it intends to offer in support of its application with the Clerk of the Commission.

(4) A copy of the application, its supporting documents and testimony, and the Order for Notice and Hearing, as well as other documents now or hereafter filed in this proceeding, shall be made available for public inspection in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. A copy of the application may be

obtained by requesting a copy of the same from counsel for Atmos, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Upon receipt of a request for a copy of the application, Atmos shall serve a copy of the same upon the requesting party within three (3) business days of such request. If acceptable to the requesting party, the Company may provide copies of the application, with or without attachments, by electronic means. In addition, unofficial copies of the Commission's Order for Notice and Hearing, as well as other Orders entered in this docket, the Commission's Rules of Practice and Procedure ("Rules"), as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website at [www.scc.virginia.gov/case](http://www.scc.virginia.gov/case).

(5) As provided by § 12.1-31 of the Code of Virginia and the Commission's Rules, 5 VAC 5-20-120, Procedure Before Hearing Examiners, a hearing examiner is appointed to conduct all further proceedings in this matter on behalf of the Commission and to issue a final report herein.

(6) A public hearing shall be convened on September 16, 2008, at 10:00 a.m., in the Commission's Courtroom, located on the Second Floor, Tyler Building, 1300 East Main Street, Richmond, Virginia, to receive comments from members of the public and to receive evidence on the captioned application. Any person not participating as a respondent as provided in Ordering Paragraph (7) below may give oral testimony at the September 16, 2008 public hearing. Public witnesses desiring to make statements at the public hearing concerning this application need only appear in the Commission's Second Floor Courtroom in the Tyler Building at the address set forth above prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

(7) Any interested person may participate as a respondent in the proceeding by filing, on or before June 26, 2008, an original and fifteen (15) copies of a notice of participation with the Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-2118, and shall on the same day serve a copy of the notice of participation on counsel to the Company, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. Pursuant to Rule 5 VAC 5-20-80, any notice of participation shall set forth (i) a precise statement of the interest of respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action. Interested persons shall refer in all of their filed papers to Case No. PUE-2008-00007.

(8) Within five (5) business days of receipt of a notice of participation from a respondent, the Company shall serve upon each respondent a copy of this Order, a copy of the application, and all materials filed with the Commission, unless these materials have already been provided to the respondent.

(9) On or before July 24, 2008, each respondent shall file with the Clerk of the Commission an original and fifteen (15) copies of the testimony and exhibits by which it expects to establish its case and shall serve copies of the testimony and exhibits on counsel to the Company and on all other respondents. The respondent shall comply with the Commission's Rules of Practice and Procedure, 5 VAC 5-20-140, Filing and service; 5 VAC 5-20-150, Copies and format; and 5 VAC 5-20-240, Prepared testimony and exhibits.

(10) On or before July 24, 2008, any interested person may file written comments on the captioned application with the Clerk of the Commission at the address set out in Ordering Paragraph (7) above and shall mail a copy to counsel to the Company, Richard D. Gary, Esquire,

and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. On or before July 24, 2008, any interested person desiring to submit comments electronically may do so by following the instructions found on the Commission's website: [www.scc.virginia.gov/case](http://www.scc.virginia.gov/case), and referring to Case No. PUE-2008-00007.

(11) The Commission Staff shall investigate the Company's application for an expedited increase in rates and to revise its tariffs. On or before August 18, 2008, the Staff shall file with the Clerk of the Commission an original and fifteen (15) copies of the Staff's testimony and exhibits regarding the captioned application and shall promptly serve a copy of the same on counsel to the Company and upon all respondents participating in the captioned proceeding.

(12) On or before September 5, 2008, the Company shall file with the Clerk of the Commission an original and fifteen (15) copies of any rebuttal testimony and exhibits that it expects to offer in rebuttal to the testimony and exhibits of the respondents and the Commission Staff and shall on the same day, September 5, 2008, serve one (1) copy on the Commission Staff assigned to this proceeding and upon the respondents herein.

(13) Atmos and all respondents shall respond to written interrogatories to parties or requests for the production of documents and things within seven (7) calendar days after the receipt of the same. Except as modified above, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.

(14) On or before May 27, 2008, Atmos shall complete the publication of the following notice as display advertising (not classified) on two (2) occasions in newspapers of general circulation throughout Atmos' service territory within the Commonwealth of Virginia:

NOTICE TO THE PUBLIC OF AN APPLICATION  
BY ATMOS ENERGY CORPORATION, FOR  
APPROVAL OF AN EXPEDITED INCREASE IN RATES  
CASE NO. PUE-2008-00007

On March 6, 2008, Atmos Energy Corporation ("Atmos" or the "Company") completed the filing of a rate application, supporting testimony, and exhibits with the State Corporation Commission ("Commission") for an expedited increase in rates. In its application, Atmos seeks to increase its additional annual revenues by approximately \$868,504, which the Company represents is an increase in overall revenues of approximately 2% and an increase in base revenues of 11%.

In its application, the Company also proposes to remove the bands from its existing Weather Normalization Adjustment ("WNA"), a tariff provision which is designed to reduce the volatility of customers' monthly natural gas bills and the Company's monthly non-gas revenues due to variances from normal weather. According to the Company, currently, if the actual heating degree days for any WNA period fall within the stated upper and lower bands surrounding the 30-year average weather calculation, there is no adjustment to the customer's bill. The band currently in place for the East weather zone is 4.36%, and the band around the West weather zone is 5.63%. The Company proposes to eliminate these bands to allow its WNA to adjust to normal 30-year weather. The Company represents the proposed change will result in a more functional WNA adjustment that will equally benefit the Company and its customers. Interested parties are encouraged to review Atmos' application and supporting documents for the details of the Company's proposed revisions to its WNA and other proposals.

The Commission has authorized Atmos to place its rates and tariff changes into effect, on an interim basis, subject to refund with interest, for service rendered on and after April 5, 2008, with the exception of Atmos' WNA. With respect to Atmos' WNA proposal, in accordance with the Company's revised tariff Proposed 16th Revised Sheet No. 28.5, the revised WNA will become effective on an interim basis, subject to refund with interest, on August 1, 2009, for the twelve-month period of May 1, 2008, through April 30, 2009.

Interested persons should be advised that, after considering all of the evidence, the Commission may approve revenues and adjust rates, fees, charges, tariff revisions, and terms and



conditions of service in a way that differs from those appearing in the Company's application or may apportion revenues among customer classes or design rates in a manner differing from that shown in the Company's application.

A public hearing on the Company's application shall be convened on September 16, 2008, at 10:00 a.m., before a Hearing Examiner, in the Commission's Second Floor Courtroom, located in the Tyler Building, 1300 East Main Street, Richmond, Virginia. Individuals with disabilities who require an accommodation to participate in the hearing should contact the Commission at least seven (7) days before the scheduled hearing at 1-800-522-7945 (voice) or 804-371-9206 (TDD). Any person not participating as a respondent as provided for below may present oral testimony concerning this application as a public witness at the hearing.

Public witnesses desiring to make statements at the public hearing need only appear in the Commission's Second Floor Courtroom, in the Tyler Building, at the address set forth above, prior to 9:45 a.m. on the day of the hearing and register a request to speak with the Commission's bailiff.

Interested persons may review a copy of the application and the Commission's Order for Notice and Hearing in the Commission's Document Control Center, located on the First Floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, between the hours of 8:15 a.m. and 5:00 p.m., Monday through Friday. A copy of the application may also be obtained at no cost by interested persons by requesting the same from counsel to the Company, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074. If acceptable to the requesting party, the Company may provide these documents, with or without attachments, by electronic means.

On or before June 26, 2008, interested persons may participate as respondents in this proceeding by filing an original and fifteen (15) copies of a notice of participation, in accordance with Rule 5 VAC 5-20-80 B of the Commission's Rules of Practice and Procedure, with the Clerk of the Commission at the address set forth below. Respondents shall serve a copy of their notice of participation upon counsel for the Company, at the address set forth above, on or before June 26, 2008. Any notice of participation shall set forth (i) a precise statement of the interest of respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the

action. Interested persons should obtain a copy of the Commission's Order for Notice and Hearing in this proceeding for additional information about participation as a respondent.

On or before July 24, 2008, each respondent shall file with the Clerk of the Commission an original and fifteen (15) copies of the testimony and exhibits it intends to offer to establish its case and shall, on or before July 24, 2008, serve one (1) copy of such testimony and exhibits on counsel to the Company and all other respondents.

On or before July 24, 2008, any interested person wishing to comment on the Company's application shall file an original and fifteen (15) copies of the written comments with the Clerk of the Commission at the address set forth below and shall, on the same day, serve a copy of any such filed papers on counsel for the Company at the address set forth above. Such comments should refer to Case No. PUE-2008-00007. On or before July 24, 2008, any interested person desiring to submit comments electronically may do so by following the instructions found at the Commission's website: [www.scc.virginia.gov/case](http://www.scc.virginia.gov/case).

Interested persons shall refer in all of their filed papers to Case No. PUE-2008-00007. All comments, notices of participation, or testimony shall be filed with Joel H. Peck, Clerk, State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218-1998, and shall be simultaneously served on Atmos' counsel, Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, at the address set forth above. Official copies of the Commission's Order for Notice and Hearing may be obtained from the Commission's Document Control Center. The unofficial text of the Commission's Order for Notice and Hearing and other Orders entered herein, the Commission's Rules of Practice and Procedure, as well as other information concerning the Commission and the statutes it administers, may be viewed on the Commission's website at [www.scc.virginia.gov/case](http://www.scc.virginia.gov/case).

#### ATMOS ENERGY CORPORATION

(15) On or before May 27, 2008, the Company shall mail a copy of its application and this Order by personal delivery or by first-class mail, postage prepaid, to the Chairman of the board of supervisors and county attorney of each county and upon the mayor or manager of

every city and town (or upon equivalent officials in counties, towns, and cities having alternative forms of government) in which the Company provides service. Service shall be made by personal delivery or by first-class mail, postage prepaid, to the customary place of business or residence of the person served.

(16) On or before September 5, 2008, Atmos shall file with the Clerk of the Commission proof of the publication and service required in Ordering Paragraphs (14) and (15) herein.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:  
Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP,  
Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; C. Meade Browder, Jr., Senior Assistant Attorney General, Office of the Attorney General, Division of Consumer Counsel, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and the Commission's Office of General Counsel and Divisions of Public Utility Accounting, Energy Regulation, and Economics and Finance.